

***Evaluation of the Ancillary Non-Gaming
Amenities Proposed by Lakes
Entertainment for the Gaming Facility
Located in the South Central Zone,
Sumner County, KS***

***Prepared for the Kansas Lottery Gaming Facility
Review Board***

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Introduction

In '08, The Kansas Lottery Commission through the independent Lottery Gaming Facility Review Board, reviewed gaming application proposals for four Gaming Zones. The result of this process was that only the Dodge City proposal in the Southwest Zone was awarded a license. In '09, the Review Board is now considering applicant proposals for the Gaming Zones in Sumner and Wyandotte counties. Originally in 2009, when Raving Consulting Company was engaged for this project, there were three applicants for Wyandotte County and two for Sumner County.

Raving was retained by the Kansas Lottery Gaming Facility Review Board to assess the Non-Gaming Ancillary Amenity Development portion of each current applicant's proposal to determine to what extent the proposals comply with the stated goals of Senate Bill 66, that is: 1) Maximize revenues for the State of Kansas, 2) Promote tourism, and 3) Serve the best interests of the State of Kansas. There is also the inherent, subsequent goal(s) of creating jobs, promoting the infusion of capital infrastructure improvements, and allowing the State of Kansas to keep consumer spending at home.

Raving faced a number of challenges in executing this consulting project for the Review Board:

1. Becoming familiar with the 2008 history of the Kansas casino license bid process and the kinds of proposals (especially the non-gaming amenity components to the proposals) that were put forward in 2008.
2. Not duplicating any of the voluminous information already compiled or the extensive consulting work already performed in 2008.
3. With the number of bidders quickly reduced from five bidders (when Raving was first engaged) to two (one each in the Northeast and South Central Zones), it became necessary to create an alternative method of assessing non-gaming amenity value for the State of Kansas, with comparisons BETWEEN bidder packages no longer possible.
4. The previous PROBE consulting report, while full of some instructive data, did not appear to offer the Board enough position-taking consulting opinions that would strongly suggest which gaming amenity packages might be best for the State of Kansas (answering the question as so well put by one Board member, "What decision would you make if you were us?").

To meet these and other challenges of this non-gaming amenity review project for the State of Kansas, Dennis Conrad and Scott Cooper of Raving executed the following:

- Review of extensive information created over the last two years for the Lottery Gaming Facility Review Board by the various consultants it employed and from the various bidders and other entities that submitted information to the board.

- Participation in an all day, all consultants' preliminary meeting in Reno, Nevada.
- Several discussions with Dr. Bill Eadington regarding the non-gaming amenities portion of the consulting work for the Board.
- Hearing in person the Lakes Entertainment bid proposal in Sumner County and the Kansas Entertainment bid proposal in Wyandotte County.
- Visiting the major casino competitors' sites in Kansas City, MO, plus the tribal casino (7th Street Casino) in Kansas City, KS.
- Numerous discussions among the Raving consultants to decide what information was most meaningful, what our conclusions regarding the non-gaming amenity proposals would be and how to present that information to the Board in a way that would help them make a decision, not just review charts, graphs and projections.

It is important to note that Raving did consider carefully the following:

1. The breadth and scope of market
2. How the non-gaming amenities proposed create and promote tourism
3. Jobs creation
4. How the non-gaming amenities proposed translate into maximizing gaming revenue

But it is also important to stress to the Board that the two Raving Consultants executing this project for the State of Kansas are very experienced casino operators, one with extensive experience at casino properties with various and instructive non-gaming amenities, and the other with extensive experience in marketing a wide range of amenity packages for a wide range of casino clients. We would be remiss to not bring this wide-ranging experience, plus our knowledge of Lakes Entertainment and Penn National Gaming, to bear on behalf of the Review Board and the State of Kansas.

Raving Consulting Team

Dennis Conrad – Founder, President, and Chief Strategist of Raving Consulting

Dennis has 34 years of gaming industry experience and has held a number of senior level positions for major gaming companies. He is considered one of the gaming industry's marketing experts and preaches common sense, meaningful marketing principles and customer focus.

Dennis' company, Raving Consulting, has worked with scores of casinos around the world over the past 11 ½ years. Raving specializes in casino marketing, casino customer service program development, strategy development, casino conferences, and access marketing for gaming vendors. Raving has executed numerous marketing assessments for casino companies and helped many of them develop strategic marketing plans, which often have included how to leverage existing casino/hotel amenities.

Scott Cooper – Consultant

Scott has almost 30 years of experience in the gaming industry with extensive expertise in opening nine start-up projects in six new jurisdictions, as COO of several gaming companies, and he has worked at many properties as General Manager, responsible for the overall operation of these land based, riverboat, racino, and Native American casinos.

All of the start-up experience has been in a "locals" type environment. In addition, Scott has led the operational development of four major expansions of existing casinos, ranging in infrastructure investment from \$110m to \$400m.

Inherent with each start-up and existing casino expansion project was the need to provide hands-on leadership, the creation/execution of the business plan, hiring and training of the management staff, development of the internal controls, the establishment of a working relationship with local governments and state regulatory agencies, and the responsibility to create and execute each property's marketing programs.

Methodology

Raving Consulting Company used the following methodology in executing the review of the non-gaming ancillary amenities for the Kansas Lottery Gaming Facility Review Board:

1. Gather information – as new consultants to a review process that was (regrettably) into its second year, it was important for Raving to build a knowledge base. This was accomplished through a review of all past available information (reports, proposals, shared communications, etc.), discussions with other project consultants, site visits (including visits to competitor’s facilities in Kansas City, MO and Kansas City, KS).
2. Decide what information was most pertinent – this was done through extensive discussions between the Raving Consultants, with assistance provided from other consultants on the project.
3. Draw consulting insights – regarding non-gaming ancillary amenity development that would be helpful to the Review Board in making its decisions.
4. Share the consulting insights in a simple, clear, logical way – it was here that the Raving Minimum Amenity concept, the Raving Marketing Matrix and the Operational Amenity Review were established, to create evaluative mechanisms for processes that had been reduced to single bidders, with non-gaming amenity proposals that had been pared back dramatically from the amenity-rich proposals of less than a year earlier.

From Raving’s perspective, the question for the State of Kansas has changed from “Which bidder has the BEST non-gaming ancillary amenity package (the most and best “deal sweeteners”)?” to “Does either bidder have ENOUGH of a non-gaming ancillary amenity package to merit selection?” And in the current economic environment, this seemingly simple question has complexities and challenges that make it difficult to answer. Hopefully Raving’s methodology, work and developed consulting insights will shed light on this question for the State of Kansas.

Key Information Reviewed

The following information reviewed by Raving Consulting Company was considered most important to the consultants in its analysis of the Lakes Entertainment Project:

Item: The Proposed Chisholm Creek Facility Will Operate Without Significant Competition Within 100 Miles, But There Is Significant Competition (With Established Amenities) In Oklahoma.

Source: Wells, South Central Report (2008)

Importance: Suggests Range of Amenity Mix For Project.

Item: The Number Of Adults (Over The Age Of 21) Within 100 Miles Of The Chisholm Creek Location Is Nearly 900,000.

Source: Probe, South Central Report (2008)

Importance: Suggests Optimal Number of Amenities Necessary For Project.

Item: While The Disposable Income of The Wichita Area's Workforce Is Modest, The Economy And Population Show Some Growth In A Tough Economy.

Source: Wichita Metro Chamber of Commerce, U.S. Census Data, Federal Bureau of Labor Statistics

Importance: Indicates Potential Spend For Gaming and Non-Gaming Amenities.

Item: The Greater Wichita Area Business Base Has a Strong Manufacturing Sector With Some Companies Having 24 Hour Scheduling.

Source: Wichita Metro Chamber of Commerce

Importance: Suggests Some Market For 24 Hour Amenities.

Item: Sedgwick County (Wichita) Has The 3rd Highest Population Density Of Any County In Kansas.

Source: U. S. Census Bureau

Importance: Establishes (Again) Possible Demand For Non-Gaming Amenities.

Item: Sedgwick, Sumner, And Butler/Cowley Counties To The Immediate East Are Among The Youngest Counties By Age In Kansas.

Source: U. S. Census Bureau

Importance: Suggests Having High Energy Activity On The Casino Floor.

Item: According To A 2004 Study, Approximately 3.4 Million People Visit The Greater Wichita Metro Area Per Year, Of Which 77% Come For Leisure Purposes.

Source: Wichita State University As Reported By The Innovation Group

Importance: Suggests The Opportunity That Amenities Have To Capture Tourists.

Item: The Budgeted Seating Capacity (330) For Chisholm Creek Is Only 55% Of The Total Seats That Were Offered At The Opening For Grand Casinos' (Lakes' Predecessor) Mille Lacs And Couchatta Properties, The Fewest Number Of Seats Of Any Of The Lakes Start-Up Projects.

Source: Lakes Entertainment

Importance: Suggests That Otherwise Unconstrained, Lakes Entertainment Might Choose To Have More Restaurant Capacity At The Opening Of Chisholm Creek.

Raving's Non-Gaming Ancillary Amenity Development Scorecard

Raving believes it is most relevant to consider the non-gaming ancillary amenity development from the perspective of answering two critical questions; 1) To what extent do the amenities contribute to the ability of the facility to increase business over an extended period of time so as to realize the goals as stated in Senate Bill 66?, 2) Will the amenities drive business above a basic core level so as to drive tourism or just promote local business?

The Raving Minimum

Since there is only one bid for the South Central Zone, Raving will address these critical questions by first determining what, in our opinion, the basic core level of amenity development (the Raving Minimum) should consist of, as follows:

- Hotel – A hotel of at least 100 rooms with a level of finish consistent with the mid-range hotel product in the area. The hotel should include at least a small sized fitness center.
- Food – A mix of food product that provides a sufficient variety of outlets to offer customers food options. Also, the quality of food product should be such that customers will stay on site through a meal period to maximize their time at the facility. At a minimum, this food product should include a buffet (250 seats), a higher end product such as a Steakhouse or Italian restaurant (80), a casual outlet that provides breakfast, lunch, and dinner (100), and a deli type outlet (30). Food should be available 24 hours per day.
- Beverage – The casino should have a minimum of 2 bars. One should be large enough to be able to offer live entertainment. One of the bars should have bar top slot machines.
- Convention/Group/Meeting Space – The facility should have convention/meeting space of sufficient square footage to accommodate a minimum of 400 to 600 customers theater style and approximately 350 customers for a sit down dinner event. This roughly equates to building convention/meeting space totaling approximately 7,000 sq. ft. This space should also be flexible to provide smaller break out rooms, either in the main ballroom area or in dedicated smaller rooms adjacent to the main ballroom. If this space is to be used as a multi-purpose venue, then the size of the ballroom should be increased to accommodate a minimum of 1,000 customers or 13,000 sq. ft.
- Pool Area – The facility should have a pool area.
- Parking – The facility should have a minimum of 1,800 parking spaces for customer self -service parking, 250 spaces for valet, 350 for employee parking, and a portion of the customer parking should be able to accommodate RV parking.

- Retail /Gift Shop – The facility should have dedicated retail space of a minimum of 600 sq. ft.

With the basic core level of amenity development defined above and as a way to measure the proposed amenity development against this basic core level, Raving has used a "scorecard grade" method as outlined in the following chart to assess the likelihood that the proposed amenity development (by amenity) will enhance the ability to grow revenue above a baseline level.

Specific departmental amenities that meet, in our opinion, a minimum basic core level will be assigned a zero (0) "grade." Amenities that, in our opinion, contribute to increasing gaming revenue and visitation will receive a rating of + 1 to + 3 (+ 3 the highest). Amenity development that, in our opinion, will not drive gaming revenue or visitation above a baseline level (in fact may inhibit it) will receive a rating of - 1 to - 3 (- 3 the lowest).

Since the proposed non-gaming amenities in Phase I are minimal, Raving has considered the potential scope of future amenity development and has assigned each possible future amenity a "grade" based on our opinion of how these additional amenities would contribute to maximizing revenues and promoting tourism. There is no accurate way to predict the timing of possible future amenity development, so the "grade" given is based on the addition of the amenity without regard to the timing. It is assumed that the opportunity to maximize revenues for the State of Kansas is to add amenities sooner rather than later.

Amenity	Raving Minimum Amenity Score	
	"Score" -3 to +3	Comments
Hotel = 100 Rooms	0	
Food/Restaurants (4)	0	
Casino Bars (2)	0	
Convention/Mtg. Space (7,000 sq. ft.)	0	
Other Amenities – Parking	0	
Other Amenities – Retail (600 sq. ft.)	0	
Total	0	

The Raving Scorecard Applied to Lakes Entertainment Non-Gaming Ancillary Amenity Development Proposal

Hotel

Lakes Entertainment has indicated that a hotel will not be included in Phase I unless their attempt to secure a 3rd party to build a hotel is successful. It is not known if this effort will yield a hotel in Phase I. If no hotel is built in Phase I then the facility will have to send customers wanting to stay close to the casino to the six lower to mid priced hotels, with a total capacity of approximately 300 rooms, that are located within 10 miles of the facility. Most of these hotels are located near the junction of I-35 and Highway 135.

The prospect of not having a hotel from Day 1 likely limits the ability of the facility to comply with one goal of Senate Bill 66 – to promote tourism. The effect of having no hotel will also impact the ability to maximize gaming revenue. A casino hotel customer traditionally spends more on gaming activities than non stay-over customers. The amount of extra gaming revenue potential with a hotel can be debated, but from experience a well appointed hotel product that is sized appropriately to the market typically adds between 10% to 20% more in gaming revenue than if there is no hotel.

Further, if no hotel is built in Phase I then the project will obviously not maximize the employment potential in the hotel department.

Hotel Amenity Score = - 3 (If no hotel is built in Phase I)

RESTAURANTS

Lakes Entertainment has consistently offered an outstanding food product at their casinos. Lakes Entertainment has proposed to build 3 food outlets for the facility – a buffet with seating capacity of 250, a casual Steakhouse that seats 50 and a deli outlet open 24/7 that seats 30.

Lakes Entertainment has projected that an average of 5674 customers per day will visit the facility. Lakes is estimating that approximately 1/3 of the visitors will have something to eat during their visit. Of those, 62% will eat in the buffet. The number of customers eating during their stay is often used as a measure of how long customers will stay at the facility and the resultant ability to maximize gaming revenue. Since the facility has little non-gaming ancillary amenity development other than food, it is felt that the development, if possible, of additional food outlets would enhance the ability to maximize gaming revenue. Also, there is a concern regarding restaurant seating capacity during peak periods.

Restaurant Amenity Score = - 1

Beverage

Lakes Entertainment is proposing to have no (public) customer bars on the casino floor. There are, however, plans to build 2 service bars to provide beverage customers service on the casino floor.

It is hard to imagine a casino with the proposed number of gaming devices, not having a casino bar.

In our opinion, a casino of this size should have at least 2 customer casino bars. One should have enough square footage to allow for some form of live entertainment.

Beverage Amenity Score = - 2

Convention/Meeting Space

Lakes Entertainment is not planning to build any Convention / Meeting space in Phase I. It is assumed that if the efforts to secure a 3rd party to build a hotel in Phase I are successful, then there will be at least a minimum amount of space allocated for groups. The absence of any convention/meeting space, besides limiting the ability to attract local Wichita-area group business, also makes it difficult to hold player events, promotions, dinners, etc., which is an important ingredient in building an effective player development program by attracting higher worth gamblers.

Convention/Meeting Space Amenity Score = - 3

Other Proposed Amenities

Parking – The proposed parking capacity of 1,925 surface, 25 RV, 250 valet, and 400 spaces for employees should be adequate for peak periods, and exceeds the Raving Minimum.

Parking Amenity Score = + 1

Retail / Gift Shop – There is a 1,200 sq. ft. Gift Shop planned for Phase I, which exceeds the Raving Minimum.

Retail/Gift Shop Amenity Score = + 1

Amenity	Raving Minimum Amenity Score	
	"Score" -3 to +3	Comments
Hotel = 100 Rooms	0	
Food/Restaurants	0	
Casino Bars	0	
Convention/Mtg. Space	0	
Other Amenities - Parking	0	
Other Amenities - Retail	0	
Total	0	

Amenity	Phase I - Built as proposed Chisholm Creek Amenity Score	
	"Score" -3 to +3	Comments
Hotel = 100 Rooms	- 3	Not planned in Phase I
Food/Restaurants	- 1	# seats low, need 1 more outlet
Casino Bars	- 2	+ 1 for service bars
Convention/Mtg. Space	- 3	Not planned in Phase I
Other Amenities - Parking	+ 1	More than Raving Minimum
Other Amenities - Retail	+ 1	Larger than Raving Minimum
Total	- 7	

Amenity	Potential Amenity Score For Chisholm Creek Project	
	"Score" -3 to +3	Comments
Hotel = 100 Rooms	+ 0	Assume well appointed
Hotel > 200 Rooms	+ 3	Assume well appointed
Food/Restaurants	+ 3	w/add'l outlets, seating
Casino Bars	+ 3	w/ at least 2, live entertain
Convention/Mtg. Space	+ 2	w/ at least 15k sq. ft.
Other Amenities - Parking	+ 3	With parking structure
Other Amenities - Retail	+ 2	Assume add'l stores
Entertainment Venue	+ 2	1.8k seats, multi-purpose
RV Park	+ 2	50 space, full hookups
Truck Parking	+ 2	Room for 30-50 trucks
Spa - Fitness	+ 2	w/ 8 rooms, 600sf fitness
Pool	+ 1	Indoor preferred
Total	+25	

The Raving Amenity Scorecard Comparison would indicate that Lakes Entertainment’s non-gaming amenity package proposed for Chisholm Creek is less than a reasonably posited “Raving Minimum” and significantly less than a robust non-gaming amenity package with numerous features.

Potential Marketing Impacts

As important as the scope and quality of casino non-gaming amenities are to a successful casino development project, so too is effective marketing of those amenities. Great amenities with lousy marketing will not optimize visitation or gaming revenue. Likewise, a paucity of amenities, or a casino with sub-standard amenities, can be somewhat overcome by excellent marketing, especially if it includes outstanding casino customer service.

Thus, Raving felt it was instructive to examine the stated marketing intentions of Lakes Entertainment as expressed in its responses in the section “Additional Information” of its submitted Performance Matrix, as well in Lakes’ comments in its bid presentation to the Board on September 16, 2009. The goal here was to attempt to determine, as a positive or negative potential, marketing impact on Lakes’ proposed non-gaming amenities. Knowledge of Lakes’ current amenities and marketing strategies at its other casino properties, both current and past, also contributed to the discussion that follows.

THE RAVING MARKETING MATRIX

The Raving Marketing Matrix was created to assess applicants’ stated marketing goals and philosophies to reasonably gauge whether marketing might create some potential visitation and revenue upside for the applicants’ stated non-gaming amenity packages, whatever they may be.

The following marketing elements were assessed:

- **Pre-opening Marketing Spend** – is the marketing spend adequate and targeted to create awareness of the new casino facility, including its amenities?
 - 1 **Inadequate** – marketing spend too little (or too much and wasteful) or not focused on appropriate opening goals
 - 0 **Adequate** – marketing spend reasonable and mostly focused on appropriate goals for opening
 - +1 **Superior** – marketing spend reasonable, measurable and highly focused on pre-opening goals
- **Brand** – does the applicant already have a strong brand in place, or focused plans to create such a brand and are the non-gaming amenities integral parts or potential beneficiaries of this brand?
 - 1 **Inadequate** – lacks a reasonable brand building strategy and an appreciation of the value of a positive casino brand image

0 Adequate – has a reasonably well articulated brand building strategy that is mostly appropriate to support the marketing goals of the casino and generally resonates with the casino customers it is attempting to attract and retain

+1 Superior – has a sharp, well defined brand strategy that creates compelling reasons for trial and strongly resonates with casino customers because it is clearly based on what is important to them

- **Marketing Reputation** – does the applicant have a gaming industry reputation for being an effective marketer?

-1 Inadequate – not known for experienced or effective marketing, behind the curve in understanding and utilizing current and accepted casino marketing practices

0 Adequate – known for reasonable understanding and utilization of accepted industry standard casino marketing practices that achieve mostly positive results

+1 Superior – known for industry leading casino marketing practices that are proactive, multi-faceted, measurable and based on solid casino marketing principles

- **Database Marketing/VIP Player Focus** – does the stated marketing plan of the applicant adequately utilize casino industry standard practices of database building and segmentation with a special emphasis on the VIP player base, and are the amenities utilized to maximize the benefit of these techniques?

-1 Inadequate – little focus on database building, database management and VIP Player services as a cornerstone of effective casino marketing

0 Adequate – reasonable understanding and utilization of accepted casino marketing database management strategies and services, with mostly positive marketing results

+1 Superior – industry leading understanding and usage of database management as a cornerstone of effective casino marketing, with a highly evolved and measurable program for finding and growing the premium customer base

- **Integrated Marketing** – does the applicant have an appreciation of marketing as a “way of doing business,” with a keen appreciation of community and employee relationships, the importance of excellent customer service, customer friendly operational business practices, and other elements that might enhance the amenity experience for casino guests?

-1 Inadequate – views and operates the marketing function as wholly separate from casino operations and ignores casino employees and casino communities in the execution of casino marketing strategies and tactics

0 Adequate – has reasonable appreciation of the importance of casino employees and casino communities in the execution of marketing strategies and generally involves those constituencies with mostly successful results

+1 Superior – practices industry leading concepts for involving casino employees and casino communities in integrated marketing efforts, recognizing the role that motivated and informed casino employees and appreciative nearby communities play in promoting casino entertainment and building loyal customers

- **Food as a Marketing Tool** – does the applicant’s marketing plans and stated intentions indicate an appreciation of the value of a quality food offering as an important tool in driving visitation and increasing retention?

-1 Inadequate – views food service as a distraction from the core gaming product and something that should be minimally offered, with minimal marketing and minimal expense

0 Adequate – generally understands the role of food and restaurants in their ability to produce casino visitation and will typically utilize them successfully in the marketing plans as an attraction and retention tool for the operations

+1 Superior – appreciates strongly the power of great food as a draw for the casino and aggressively promotes it in intelligent and aggressive ways to add value to the customer experience and revenue to the casino’s bottom line

- **Tourism and Hotel Partnerships** – does the applicant adequately address plans to partner with local tourism bureaus and existing local hotels and motels to create opportunities for tourist visitation of the casino facility?

-1 Inadequate – generally ignores local and regional tourism organizations and non-gaming hotels as possible sources of collaboration and mutual business development

0 Adequate – makes reasonable efforts to cultivate tourism organizations and local /regional hotels as business partnerships, with general success in achieving positive results in leveraging these partnerships to generate casino visitation and help to meet tourism goals

+1 Outstanding – aggressively pursues industry leading practices to secure strong relationships with local and regional tourism organizations and hotels, leading to positive, measurable impact for the casino operation

- **Bus Marketing** – has the applicant adequately addressed plans creating or utilizing bus charter programs to promote tourism and casino visitation, with reasonable use of non-gaming amenities as “hooks” to make those programs attractive to potential tourist visitors?

-1 Inadequate – generally ignores bus charter programs as a casino marketing tool and vehicle for generating casino visitation from a tourist population

0 Adequate – some utilization of regional bus charter programs with generally positive impacts on casino visitation and tourism generation

+1 Outstanding – aggressive and industry leading utilization of regional bus marketing charter programs, with clear and measurable goals that successfully expands the casino’s marketing reach to attract significant tourists to the casino

- **Advertising Efficiency** – is the applicant’s advertising adequate, cost effective, highly measurable and able to utilize amenities appropriately to drive trial to the casino?

-1 Inadequate – does very little advertising that is targeted to produce measurable response from an appropriate audience, or does expensive, extravagant advertising that consumes marketing dollars at the expense of more important marketing tactics

0 Adequate – conducts mostly meaningful advertising in appropriate media and is usually measurable as it reasonably drives trial or creates brand awareness

+1 Superior – executes industry leading advertising in highly targeted media, is very measurable and leverages significant cooperative partnerships and an effective public relations capacity to maximize impact

- **Listening to Guests** – has the applicant appropriately addressed how it intends to gather guest feedback regarding the casino (and amenity) experience, in the form of customer satisfaction surveys, comment gathering programs and the like?

-1 Inadequate – has no or very little information gathering (formal or informal) as to casino guests’ likes and dislikes with their casino entertainment experience

0 Adequate – conducts a reasonable amount of guest research (formal or informal) and generally utilizes the information to improve the guest experience

+1 Superior – executes highly focused guest research at multiple listening posts and significantly utilizes the gathered information to improve the guest experience and improve financial performance

- **Other Factors** – are there any other significant factors in the applicant’s marketing plans that might significantly impact how the casino’s amenities might positively or negatively impact the financial performance of the casino operation?

-1 Inadequate – generally has no additional marketing features or potential property leverage points that could create additional marketing impact

0 Adequate – generally has some additional marketing features or property leverage points that can create additional marketing impact

+1 Superior – has a significant number of additional marketing features and property leverage points that create a high likelihood of achieving additional marketing impact

RAVING MARKETING MATRIX SCORING SCALE

-4 to -11 Inadequate – unlikely to achieve additional marketing impact on financial performance

-3 to +3 Adequate – likely to achieve an average, mostly adequate marketing impact on financial performance

+4 to +11 Superior – likely to achieve a superior marketing impact on financial performance

RAVING MARKETING MATRIX AS APPLIED TO LAKES ENTERTAINMENT AND ITS CHISHOLM CREEK PROPOSAL

Categories	Lakes Entertainment Score
Pre-Opening Marketing Spend	+1
Brand	0
Marketing Reputation	+1
Database/Player Development Focus	+1
Integrated Marketing	+1
Food	0
Tourism and Hotel Partnerships	0
Bus Marketing	-1
Advertising Efficiency	+1
Listening to Guests	+1
Other	+1
TOTAL	+6

Discussion of Lakes Entertainment Marketing Plans for Chisholm Creek Casino Resort

Pre-Opening Marketing Spend

Lakes' expressed pre-opening marketing budget is adequate at \$1.05 million. The focus on potential employees, potential customers and tourism industry insiders is particularly appropriate. The building of a pre-opening website is positive as are Lakes' plans to use a pre-opening mix of online, direct and new media. Most importantly, Lakes plans to focus on "known gamblers" and has an outstanding history of new casino openings including its most recent two openings at Red Hawk Casino in California and Four Winds Casino in Michigan.

Raving Marketing Matrix Grade = +1

Brand

Lakes would ostensibly be entering the Chisholm Creek project with no real recognizable brand identity in the area, either as "Lakes" or "Chisholm Creek." Lakes does, however, recognize its need to build an effective brand and addresses that adequately in its post-opening marketing discussion.

Matrix Grade = 0

Marketing Reputation

Lakes (and its predecessor, Grand Casinos) has an outstanding marketing reputation in the gaming industry. It is known for focusing on marketing that matters, a management "team" approach to marketing, and a willingness to make appropriate marketing changes when necessary to achieve desired marketing results.

Matrix Grade = +1

Database Marketing/VIP Player Focus

Lakes shows an uncommon appreciation of database marketing and VIP player segmentation through its stated pre-opening database building, loyalty club emphasis, use of its high end restaurant for VIP gatherings, database analysis focus and other elements that highlight understanding of the 20/80 rule (20% of customers account for 80% of revenues).

Matrix Grade = +1

Integrated Marketing

Lakes keenly understands marketing as a “way of doing business” and its stated goal of “continually training, and enforcing process improvement” pointedly speaks to effective integrated marketing. Lakes’ casino properties have been known for having excellent customer service and it should be assumed that Chisholm Creek would be the same.

Matrix Grade = +1

Food as a Marketing Tool

Although Lakes has proposed to open with restaurant amenities less than the Raving Minimum, it can be assumed that the Lakes’ food product will be high quality, based on Lakes history of having excellent food and the stated central role of food in Lakes’ marketing discussion for Chisholm Creek.

Matrix Grade = 0

Tourism and Hotel Partnerships

In its pre-opening marketing discussion Lakes speaks to communicating with “tourism industry insiders” and in its bid proposal presentation to the Review Board it mentioned providing shuttle bus service to Chisholm Creek from Wichita-area hotels. However, this falls short of a strong commitment to this marketing tool.

Matrix Grade = 0

Bus Marketing

There was no overt mention by Lakes to creating charter bus programs for potential out of market visitors to Chisholm Creek (perhaps because of the lack of a hotel in the Phase I proposal), but Lakes successfully utilized charter bus programs at other properties in the past.

Matrix Grade = -1

Advertising Efficiency

Lakes displays a keen understanding of the need for impactful advertising prior to a casino opening, the importance of using advertising to create a brand image and the need to utilize both new and traditional media in successful advertising campaigns. It has the reputation of using advertising intelligently to drive trial.

Matrix Grade = +1

Listening to Guests

This is perhaps one of Lakes greatest strengths and is stated well in its marketing discussion. Lakes is known for using multiple methods of guest research (both formal and informal) to discover what its core customers are saying, and then using that information to improve performance and guest satisfaction.

Matrix Grade = +1

Other Factors

In its proposal discussion and stated marketing plans, Lakes touched on a number of “other factors” that would indicate it understands “marketing opportunities.” One was a mention of the traveler on I-35 near Chisholm Creek (indicating an appreciation of directional and billboard signage). Another was the clear understanding its table game product and the marketing advantage it creates with the Oklahoma table game customer, where there are inferior “player banked table games.” It seems Lakes is very aware of “other factors” that might create marketing leverage for Chisholm Creek.

Matrix Grade = +1

OVERALL RAVING MARKETING MATRIX GRADE FOR LAKES ENTERTAINMENT = +6

This +6 Raving Marketing Matrix grade would suggest that Lakes has a savvy understanding of effective marketing and therefore a reasonable chance of utilizing whatever non-gaming amenities it may have at Phase I Opening to exceed revenue projections to some degree.

Revenue and Jobs Comparisons as Related to Various Amenity Scenarios*

\$ in millions

all #'s are projections

Category	Total \$ Gaming Revenue	Hotel Revenue	Restaurant Revenue	Beverage Revenue	Retail Revenue	Entertainment Revenue	Number of Amenity Related Jobs			Total Jobs of Project
							Hotel	F/B	Retail	
Applicant-Phase 1 - 1st year, '13	\$ 121		\$ 10.4	\$ 2.0	\$ 1.3			240	5	876 (FTE)
Wells/Cummings avg. Phase 1 - 1st year, '13	\$ 154									
Wells/Cummings avg. w/Raving Minimums Phase 1 - 1st year, '13	\$ 161									
If Raving Minimums Were Built Phase 1		\$ 3.3 (100 rooms)	\$ 11.0	\$ 3.0	\$ 1.2	\$ 1.2	60	350	5	1,026 (FTE) (+150)
Applicant - 2015	\$ 130		\$ 11.2	\$ 2.2	\$ 1.4			241	5	880 (FTE)
Wells/Cummings avg. - 2015	\$ 174									
Raving Projections 2015		\$ 5.0 (150 rooms)	\$ 12.0	\$ 4.0	\$ 1.6	\$ 2.0	75	350	5	1,076 (+196)

*This chart attempts to show the potential revenue and jobs totals in comparing various projections for various scenarios as provided by the consultants and Lakes Entertainment. It is not meant to suggest that the level of amenities is the only contributing factor into the revenue projections.

Chisholm Creek Operational Amenity Overview

Hotel

- Not planned for Phase I.

Convention/Meeting Space

- Not planned for Phase I.

Restaurants

- Three planned for Phase I.
- Buffet – 250 seats, action stations, wood-fire grill, salads, home cooking, dessert bar. Budgeted to do 1,257 covers/day with an average cover of \$15.
- Steakhouse (Casual) – 50 seats. Budgeted to do 100 covers/day with an avg. cover of \$42.44.
- Deli – 30 seats. Budgeted to do 686 covers/day with an average cover of \$8.22.
- The total seating capacity might negatively impact the customer's experience during weekends or other peak periods.
- Combined – 2,043 covers/day, or 40 % of the daily visitors will eat something.
- The number of full time equivalent (FTE's) budgeted by Lakes for the food/beverage department (240) should be adequate to provide good customer service based on the food outlets proposed.
- Food revenue is budgeted to be \$10,493m in 2013.
- Food comps are budgeted at 40% of total revenue
- Food Cost of Goods Sold (COGS) is budgeted for a combined for all outlets at 40%

The relationship of these numbers comparing revenue, cost, and jobs appear reasonable. The main concern is with the ability of 330 restaurant seats to handle a holiday, busy weekend or the final day of a major promotion.

Casino Bars

- Not planned for Phase I.
- 2 service bars are planned to provide beverage service to casino customers.
- Beverage revenue is budgeted to be \$ 2,063m in 2013.
- Beverage comps are budgeted at 17% of total revenue.
- Beverage COGS is budgeted at 24%.

- It should be noted that the budgeted beverage department pro forma as submitted by Lakes is projected to operate at a bottom line loss.

These numbers seem reasonable, but there is a concern with Chisholm Creek proposing to open without even a single casino bar, much less the Raving Minimum of two casino bars.

Retail

- Retail Gift Shop with 1,200 sq. ft.
- Budgeted comp sales are 35% of total revenue.
- Budgeted COGS is 45%.
- Number of jobs is budgeted for 5.

These figures seem reasonable and 1,200 sq. ft. is a decently sized shop, above the Raving Minimum.

Parking

- 1,925 total surface parking spaces.
- 250 valet parking spaces.
- 400 employee parking spaces.
- 25 RV spaces.

These plans seem reasonable and exceed the Raving Minimum. Room for large truck parking might be advisable.

Other Amenity Related Comments

- 1) The ratio of tourist visitors to total visits is 10%. This appears to be an unusually low %, but might be reasonable with the Chisholm Creek amenities proposed.
- 2) Total FTE's for Chisholm Creek in 2013 is 876, total number of FTE's in 2015 is 880, suggesting almost no growth in jobs.

Consultants' Conclusions

- Lakes Entertainment's proposed non-gaming ancillary amenity package for its Chisholm Creek project is weak and in its current proposed mode is likely to fall short of maximizing gaming revenue and tourism for the State of Kansas.
- The addition of a 100 room hotel, another restaurant and two casino bars (with modest entertainment) would greatly enhance the Chisholm Creek project's ability to maximize gaming revenue and tourism for the State of Kansas.
- Lakes Entertainment's marketing savvy and experience is a positive and likely enables Lakes to achieve somewhat more benefit from its non-gaming amenity package than what would otherwise be realized from a less impactful marketing program or philosophy.
- There appears to be some potential upside for Chisholm Creek from a tourism generation and revenue maximization perspective if it were able to attract and accommodate some of the many truckers passing near the facility, effectively implement a charter bus program targeting potential casino goers 100 miles away or further, or leverage its "real table games" (sort of an amenity) to steal Oklahoma table game market share.
- Without a more fully developed non-gaming amenity package than the one outlined by Lakes, the Chisholm Creek facility would likely be more at risk of losing market share should additional gaming be approved in the Wichita area or should significant non-gaming amenity development occur in existing Oklahoma casinos.
- In other gaming markets, the 21-35 year old customer base, while not having the disposable income of older casino customers, nonetheless have indicated a desire for more of an "experience" (concerts, lively table games, things to do, ability to "party," etc.) in their casino visits – there appears to be a risk here that these young customers will be "disappointed" in the Chisholm Creek experience and its apparent lack of things to do other than to gamble.
- Lakes' past track record of quick non-gaming amenity build out (after opening its other casinos) is impressive and likely should merit some consideration as a future indicator of Lakes' possible future amenity addition intentions and speed of implementation for Chisholm Creek.

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Projected Casino Visitation

Scenario A - Estimates are for year 2013.
Estimates are shown in avg. # of visitors per day.

	# visitors/ day	Variance
Lakes Entertainment Application	5,674	
Wells Gaming Research (Phase I)	5,625	+ 49
Cummings Associates (Phase I)	5,028	- 646

Scenario B - Estimates are for year 2015
Estimates are shown in avg. # of visitors per day.

	# visitors / day	Variance
Lakes Entertainment Application	5,732	
Wells Gaming Research (mid range estimate)	5,674	- 58
Cummings Associates	6,104	+ 372

Source: Wells Gaming Research, Cummings Associates

Oklahoma Competition

There are approximately 10 existing casinos located within 100 miles of the proposed casino site. All of the 10 existing casinos are located in Oklahoma.

Casino	# of slots	#of tables	# poker	# bingo	Casino sq ft	# rooms	# food	Parking spaces		
7 Clans Paradise	700	8	6	0	30,000	0	2	500		
Blue Star	228	0	0	300	20,000	0	1	500		
Kaw Southwind	800	3	4	700	35,000	0	2	1,000		
Lil' Bit of Paradise	50	0	0	0	small	0	0	60		
Lil' Bit of Paradise 2	100	0	0	0	small	0	0	30		
Native Lights	612	6	0	0	22,500	0	2	405		
Million\$ Elm-Pawhuska	135	0	0	0	small	0	1	50		
Million \$ Elm - Ponca City	222	0	0	0	7,700	0	1	150		
Tonkawa	374	4	0	0	14,437	0	1	400		
1st Council	700	8	10	0	40,000e	0	1	800e		
Total	3,921	29	20	1,000	169,637	0	11	3,895		

Source: Raving

Market Demographic Characteristics – Population

Population by Age	2008 Demographic Data Population Within			2008 Demographic Data Population Within	
	0-30 Miles	0-60 Miles	0-100 Miles	31-60 Miles	61-100 Miles
	Exit 33	Exit 33	Exit 33	Exit 33	Exit 33
Total Population	561,342	780,854	1,255,419	219,512	474,565
Average Age	35.2	36.4	36.9	39.9	38
Adult Population Over 21	388,112	548,628	892,854	159,190	345,768
Population 45 Years +	204,328	299,848	495,891	95,049	195,470
Population 45 Years + %	53%	55%	56%	60%	57%

Source: Wichita Metro Chamber of Commerce, Probe 2008

Market Demographic Characteristics - Disposable Income

Per Capita	2008 Demographic Data Population Within			2008 Demographic Data Population Within	
	0-30 Miles	0-60 Miles	0-100 Miles	31-60 Miles	61-100 Miles
	Exit 33	Exit 33	Exit 33	Exit 33	Exit 33
Median Disposable Income	\$ 17,187	\$ 16,286	\$ 15,471	\$ 14,684	\$ 14,299
Indexed to US	1.03	0.97	0.92	0.88	0.85
Mean Disposable Income	\$ 20,8771	\$ 20,096	\$ 19,360	\$ 18,081	\$ 18,036
Indexed to US	0.93	0,89	0.86	0.80	0.80
Median Net Worth	\$ 41,626	\$ 38,952	\$34,984	\$ 33,319	\$ 29,185
Indexed to US	1.02	0.95	0.86	0.82	0.71
Mean Net Worth	\$160,734	\$155,933	\$150,418	\$143,604	\$140,474
Indexed to US	0.82	0.79	0.77	0.73	0.72

Source: Wichita Metro Chamber of Commerce, Probe 2008

Local Hotels

The greater Wichita CVB estimates that over 3 million visitors are attracted to the Wichita area each year. There are 57 hotels in the immediate Wichita area with an additional (approx.) 50 hotels in small communities surrounding Wichita.

Current online room rate range of the 57 hotels located in the Wichita metro area.

Online Rate	# of hotels	% to total
\$120 +	3	5%
\$100-\$119	4	7%
\$80 - \$99	24	42%
\$60 - \$79	16	28%
< \$59	10	18%
Total	57	100%

There are no luxury hotels in the Wichita MSA, and there are only 4 current hotels with more than 250 rooms.

Current "Star" quality rating of the hotels in the Wichita market.

"Star" quality rating	#
3 1/2	1
3	7
2 1/2	2
2	25
< 2 or no rating	22
Total	57

Source: Raving